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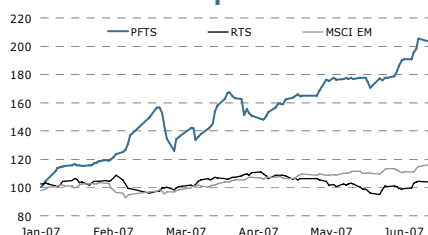
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TOP PICKS

	Crn't Price, USD	12M Target USD	Upside	Crn't MCap USD mln
ZACO	1.35	2.53	87%	161.3
AVDK	2.75	5.14	87%	532.9
MEGA	0.69	1.01	46%	138.6
DAKOR	122.40	169.40	38%	105.0
KVIN	117.53	160.00	36%	84.3
DMPO	113.86	154.00	35%	38.7
MSICH	172.28	200.00	16%	358.0
SVGZ	6.93	7.95	15%	87.2

PFTS relative performance



Key market data

PFTS Indx as of 19 Jun 07	988.93
PFTS Indx chg YTD/1m/1y	98%/12%/158%
MSCI EM YTD/1m/1y	16%/6%/35%

Total MCap of PFTS listing	USD 75.7 bln
Investable Universe's MCap	USD 59.7 bln
Investable Universe's FF	USD 4.1 bln

PFTS avg daily tr vol YTD	USD 5.0 mln
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Key economic data

	2006	2007E	2008E
GDP real growth, %	7.1	7.3	6.3
Industrial output growth, %	6.2	9.0	7.7
CPI (eop), %	11.6	10.5	11.5
FDI inflow, USD bln	5.3	5.5	6.2
NBU Reserves, USD bln	22.3	28.0	28.5
State Budget Balance, % GDP	-0.7	-1.9	-2.0
Retail turnover real growth, %	25.3	24.0	23.0
Banking Assets growth, %	59.0	47.0	38.0

Source: NBU, Statistics Committee, Concorde Capital estimates

Note: Prices in this report are as of June 19

A strong bull rally brought the PFTS index above 1000 – a psychologically important level. After the breathtaking growth spurt, the market stepped back a bit: the PFTS index slipped to 988.93 (still up 98% ytd); over the coming week we will see how robust the market momentum was. Looking forward, we see several key factors in place to help the PFTS outperform MSCI EM Index in the second half of the year as well:

- **Corporate profitability increases.** 1Q07 financial results confirm the secular uptrend: median net income of 124 largest public companies was 3.8% in 1Q2007 compared to 2.4% in 1Q06 and 1Q05.
- **Strong macro backing.** 5M07 yielded: GDP growth of 7.9% yoy, industrial production of 12.1% yoy and CPI of 1.9%. We expect this strong economic performance to persist, finding confidence in favorable export prices, decreasing interest rates, strong capital inflows and reducing unemployment.
- **Competitiveness of the economy recognized.** Ukraine for the first time was included in a widely-known, comprehensive study of national competitiveness by the IMD (published on May 10), and ranked 46 out of the 55 most developed nations above Brazil, Mexico, Turkey, Poland.
- **Country risk premium reduces.** In June Ukrainian sovereign spreads narrowed to all-times minimums over the benchmarks in both USD (104 bps) and EUR (114 bps).
- **Big caliber equity placements attract high-profile investors.** The placement of USD 105 mln of real estate developer TMM (MCap: USD 800 mln) in Frankfurt, and the recently completed USD 401 mln IPO of Ferrexpo (MCap: USD 1.68 bln) in London are milestones. For the first time top tier funds opened their wallets to buy Ukraine. Overall, nearly USD 0.9 bln has been raised in equity since January.
- **Politics: All bark, no bite.** You may see a lot of political noise in the pre-election race over the summer, however, there is little risk that this will affect business, and with big business looking over their shoulders, Ukrainian MPs have been talking compromise. President Yushchenko sent a clear message last week praising Rinat Akhmetov's contribution to finding a middle ground.

How to play the game

We expect **Basic Materials** to continue outperforming the market, with the strongest upsides in the coke industry. Stock by stock picking provides opportunities in steel, as well as machine building and banking. We stay away from UNAF. If minorities in **Dniproenergo** are treated right in the coming capital increase, the stock will be poised for a stellar performance, especially after its recent plunge.

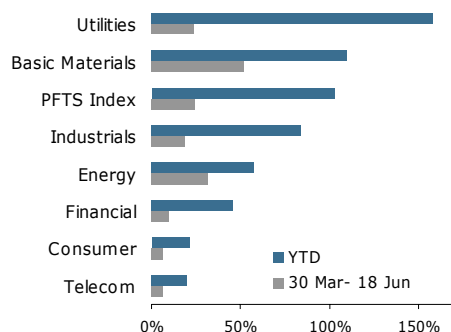
We recommend taking advantage of growing corporate governance standards at companies belonging to **Metinvest**. **Privat**-owned assets in metals & mining deserve a closer look: margins jumped sharply in 1Q07 yet they were unnoticed by the market. The diverse menu of **equity placements** provides a chance to get exposure to the expanding sectors of the economy.

MARKET HIGHLIGHTS

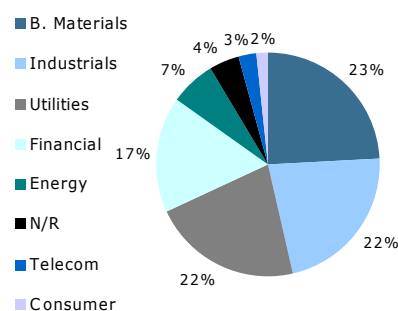
PFTS records new historic highs

After a correction brought on by political tensions in April, the PFTS index pierced the 1000 point mark and returned a remarkable 105% ytd, before dipping to 98% ytd. Basic materials and energy stocks are outperforming the PFTS index in the second quarter. In terms of trading volumes, the market's major focus is shifting from financial sector in the first quarter to Basic Materials in the second.

Sector performance



Trading volume breakdown, QTD



Source: PFTS, Concorde Capital

Utilities

Long awaited news that **Kyivenergo** (KIEN) prolonged its lease of the city of Kyiv's generating assets on June 8 finally erased the risk that tended to depress its price. Since the news, the stock has already advanced 10%.

Overall, the market is continuing to discount the future of Ukrainian electricity optimistically. Investors' appetite for the sector remains unsatisfied. Ukrainian GenCos are keeping pace with Russian OGKs. The latest gust of wind from Russia was a sale of 25% of OGK-5 at a June 6 auction in Russia, at 22% a premium to the market. For quite a while now, the discount of Ukrainian GenCos and Oblenergos to Russian peers by EV/Capacity and EV/Electricity multiples has remained stable at 55%-60%. The market is waiting for more catalysts.

Watch for **Dniproenergo's** (DNEN) additional share issue, which will increase DTEK's presence in the company from 8.7% to 39.9% at a cost of about USD 408 mln. There exists a risk of dilution, (MCap of the deal is a 13% discount to the company's current MCap), as DTEK has not confirmed whether or not it will buy out minority stakes at the market price. If Dniproenergo's minorities are treated right, the stock should see stellar performance, especially after a recent plunge of some 22%.

The Dniproenergo privatization would be completed within the framework of the draft "Conception on Decreasing the State's Presence in the Energy Sector," which is currently being considered by the Cabinet of Ministers. The document is designed to set out a clear strategy to finance massive capital investments for upgrading infrastructure via privatization in the sector. Centrenergo seems the next most probable candidate to follow in the path of Dniproenergo.

Basic materials

This sector has been leading the pack since April. Plenty of value stocks here. Neglected in 2006, the sector provided some excellent performers this year: **Enakievo Steel** (ENMZ) +530%, **Pivdenny Iron Ore** (PGZK) +177%, **Dniprospsstal** (DNSS) (+150%). In our opinion, the best opportunities in the sector are: **Avdiyivka Coke** (AVDK) and **ZaporizhCoke** (ZACO),

Dniprometiz (DMPO) and **Pivdenny Iron Ore (PGZK)**. Risk-seekers can look to illiquid Sukha Balka (SUBA).

Good trigger for the sector: The first IPO of a company from Ukraine on the Main Market of London Stock Exchange – completed on June 15 by Ferrexpo plc (LSE: FXPO) a holding company for Poltava Iron Ore (PGOK). Since the first day of trading, the Ferrexpo's price has gone up 38%.

Important event to watch: Cancellation of Azovstal's (AZST) dilutive share issue from last year's merger with Trading House Azovstal at its AGM scheduled for June 23. The market has already adjusted to the news; a positive decision at the AGM will give shareholders more confidence in the irreversibility of improvements in corporate governance by Metinvest/SCM – which will be also encouraging news for Avdiyivka Coke and ZaporizhCoke.

Industrial machine building

Motor Sich (MSICH): After the release of our research on May 16, the stock has outperformed the market, gaining 34% in a month. The stock still has a 16% upside to our target, and we expect the company to surprise investors positively in coming quarters, with possible upgrades in mind. Motor Sich floated 6% at the beginning of June; improving liquidity in the stock makes it a good candidate for the PFTS index basket in the future.

Luhanskteplovoz (LPTL) was driven by news that Russian Railways acquired blocking stake (25%) in Transmashholding (LTPL's owner). After the release of our recommendation upgrade on May 25, the stock broke a strong resistance line at USD 0.58 and made an all-time historical maximum. However, uncertainty around the stock lingers on (the Public Prosecutor filed a suit in courts claiming that the privatization tender was illegal; hearings start on June 26). In our view, closer integration with Russia is inevitable for Luhanskteplovoz, and we believe it is likely the company's the privatization results will be upheld.

For risk seekers, we also recommend having a closer look at Dongirmash (DGRM) with 153% upside.

Financial Services

A string of big additional share issues that started at the beginning of June have been the main focus: Ukrsofsbank is raising USD 129 mln, Rodovid Bank USD 123 mln and Megabank USD 17 mln. The sector is unlikely to outperform the market as the banking stocks are generally fairly valued, in our view. Still, on an individual basis, we see that the market fails to price in the recent flow of positive news from **Megabank (MEGA)**.

Energy

Ukrnafta's counterintuitive performance (+53% ytd on a consistent flow of negative news) won't last forever. We don't see fundamentals for Ukrnafta to justify a 40% premium to its peers – the stock would be a candidate for deep correction if it were not considered a proxy for the Ukrainian market. As long as general sentiment remains bullish, Ukrnafta might continue trading at a premium. But beware of the bears!

Coal stocks are still interesting investments. Currently trading close to our targets, **Chervonarmiyska Zakhidna (SHCHZ)** and **Komsomolets Donbasa (SHKD)** lock in long term value, with Chervonoarmiyska Zakhidna more ready to get an upgrade soon.

Consumer related

Automobile and auto parts. High growth in the industry's revenues was priced in last year - stocks in the sector have under-performed the market in 2007 (LUAZ +5% AVTO +27%; DNSH +30% ytd). The only important news we think the market has overlooked is tax exemptions on imported spare parts for auto makers until January 1, 2008. These privileges can add 3-4% to the bottom line of the Bohdan Automobile Plant (LUAZ) and Ukravto (AVTO).

Retail, food & beverages. Those wishing to ride on booming consumer spending in Ukraine have to be ready for a longer investment horizon and exposure to less liquid stocks. We recommend rapidly expanding computer retailer **Ekvin/MKS** (KVIN) and one of the major country's sugar producers with a 78 ths ha of land under lease, **Dakor** (DAKOR), which recently completed a 20% equity placement.

Telecom

Ukrtelecom (UTEL) has experienced a series of failures to sell a 1% share block at privatization auctions (May 22, May 29, June 5 and June 8) due to either a court ban or lack of bidders. At a tender on June 15, the State Property Fund placed three out of 40 lots of a 1% stake. The placement price was USD 0.228 per share (8% discount to the mid-market price). We are waiting to see further local tenders, and more importantly, whether the SPF will succeed in placing a 37.86% stake in Ukrtelecom on the LSE this year. If the SPF sells Ukrtelecom shares in London, the placement will increase the aggregate free float of the Ukrainian equity market by more than USD 1.5 bln, boosting liquidity.

Basket of Ukrainian stocks is launched on Stuttgart SE

Deutsche Bank issued a certificate constructed on a basket of Frankfurt-listed stocks to provide diversified exposure to Ukrainian equities. Since its inception on May 28, the certificate price appreciated 12%.

One more way to approach Ukrainian equities won't hurt; it can also help increase the liquidity of the underlying stocks. A drawback of the instrument: no banks in the basket.

Basket Constituents

	Security	PFTS Ticker	FSE ticker	Weight, %
1	Ukrnafta ADR	UNAF	UKAA	15.00
2	Ukrtelecom GDR	UTEL	UK1	15.00
3	Azovstal ADR	AZST	DZ8	15.00
4	Nyzhnyodniprovsky Pipe ADR	NITR	NYZ	13.27
5	Dniproenergo ADR	DNEN	DPG	15.00
6	Centrenergo ADR	CEEN	DBG	14.65
7	Poltava Iron Ore GDR	PGOK	UVT	6.41
8	Zakhidenergo GDR	ZAEN	WT7	5.67

Note: ISIN of the basket certificate is DE000DB1UKR2

Source: Boerse Stuttgart

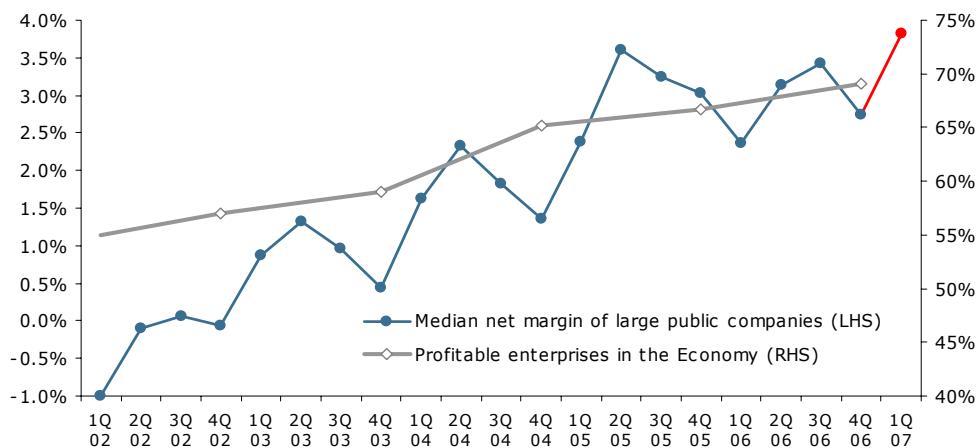
SOUND ECONOMIC BACKGROUND

The stock market boom is getting solid support from healthy fundamentals: Real GDP growth of 7.9% yoy during the first five months of 2007 and the overall uptrend in corporate profitability has continued to build momentum this year. We expect the strong economic performance to persist, finding confidence in decreasing interest rates, growth in real disposable income, strong capital inflows to the economy, and reducing unemployment.

Secular uptrend in corporate profitability confirmed in 1Q07

One of the arguments to explain the seemingly high P/E ratios on the market is the convergence of the real economy and the accounting economy. More and more companies are posting undistorted financial statements that disclose the true profitability of their businesses. Broad economic growth translates directly into corporate earnings, with improving transparency and the evaporation of shady schemes leading to increases in the margins of Ukrainian companies. We expect the tendency to continue for at least another couple of years.

Corporate profitability's secular uptrend



Note: Sample of large public companies consists of Open JSCs with sales of USD 50 mln or more as of 9M06. Quarterly net margins are cumulative.
Source: State Statistics Committee, Concorde Capital

Decreasing interest rates

A reduction in government bond yields in April was followed by a slide in lending and deposit interest rates in May: weighted average local currency loan rates fell from 14.1% to 13.4% and the foreign currency rate decreased from 11.7% to 11.4%. LCY deposit rates went down slightly to 7.7% from 7.9%, while foreign currency deposits also fell 0.2 pp, reaching 6.8%. Furthermore, the NBU cut the discount rate by 0.5% to 8%, valid from June 1.

Upgrade for industrial output forecast

Given the high industrial growth rates sustained so far this year, favourable export prices, an environment of decreasing interest rates and reducing unemployment (-0.2 pp in May, -0.4 pp ytd), we increase our real industrial output growth estimate for 2007 to 9%.

Capital Inflows fuel FX reserves

As we expected, the widening current account surplus is not a threat this year and is being covered by the capital account surplus; excessive inflows are being bought by the NBU to increase its reserves. The developments proved that we were too conservative in estimating the scope of capital inflows into the Ukrainian economy: in January-May the reserves increased 11.2%, reaching a historic high of USD 24.8 bln (5.3 months of imports), which is already USD 750 mln more than our year-end target. We upgrade our FDI and NBU reserve forecasts for 2007 to USD 5.5 bln and USD 28 bln, respectively.

A fiscal surplus emerges

Better-than-expected economic performance this year has translated into a five-month state budget surplus, as revenues for the period exceeded the government's plan by 4.8% and expenditures were 4.6% lower. Lagging expenditures is typical for the first half of a year, and we estimate the budget will slip into red by the end of the year to a comfortable USD 2.4 bln, which is USD 0.7 bln less conservative than amended state budget limit and only 1.9% of GDP.

Inflation: CPI down, PPI up

Due to favorable consumer price dynamics, we lower our year-end CPI estimate to 10.5% (-0.5 pp) and don't rule out further downgrades, if government's social spending does not get too populist before the elections. At the same time, we are somewhat concerned about soaring producers' prices due to increasing tariffs for utility services and rising commodities prices, and forecast the PPI to reach 14.5% (2 pp higher than our previous estimate).

Key economic data

	2003	2004	2005	2006	2007E	2008E
Real Indicators						
GDP real growth, %	9.4	12.1	2.6	7.1	7.3	6.3
Nominal GDP, USD bln	49.5	65.0	81.7	106.1	126.2	147.9
GDP per Capita, USD	1 040	1 376	1 670	2 275	2 728	3 215
Industrial output growth, %	15.7	12.5	3.1	6.2	9.0	5.6
Capital Investments Growth, %	31.3	28.0	1.9	19.0	20.0	22.0
CPI (eop), %	8.2	12.3	10.3	11.6	10.5	10.0
PPI (eop), %	11.1	24.1	9.5	14.1	14.5	11.0
Foreign economic activity						
FDI inflow, USD mln	1 323	2 253	7 851	5 336	5 500	6 200
FDI (Cumulative since 1991), USD mln	6 794	9 047	16 898	21 186	26 686	32 886
Current Account Balance, % GDP	5.9	10.5	3.1	-1.5	-3.7	-5.4
Total Exports, USD mln	27 328	37 980	40 421	45 872	57 386	71 732
Export Growth, %	24.2%	39.0%	6.4%	13.5%	25.1%	25.0%
Total Imports, USD mln	24 409	31 004	39 052	48 846	63 597	81 723
Import Growth, %	34.4%	27.0%	26.0%	25.1%	30.2%	28.5%
Trade Balance, USD mln	2 919	6 976	1 369	-2 974	-6 212	-9 990
Debt						
Total Public Debt, USD mln	14 543	16 096	15 474	15 950	17 500	19 000
NBU Reserves, USD mln	6 940	9 525	19 395	22 256	28 000	28 500
Social indicators						
Population, mln	47.6	47.4	46.9	46.6	46.3	46.0
Unemployment (ILO)	9.1	8.6	7.2	6.8	6.6	6.2
Monetary indicators						
Monetary Base (M0), USD mln	6 211	7 681	11 764	15 838	17 600	18 500
Broad Money (M2), USD mln	17 714	23 494	37 724	51 369	58 500	75 430
Economy Monetization M2/GDP	35%	36%	44%	48%	50%	51%
Money Supply (M3), USD mln	17 823	23 593	37 905	51 696	67 500	84 200
Money Supply Growth, %	46.3	32.1	60.7	36.4	30.6	24.7
UAH/USD (eop)	5.33	5.31	5.05	5.05	5.05	5.05
UAH/USD (avg)	5.33	5.32	5.12	5.05	5.05	5.05
State Budget, % GDP						
Revenues (incl. credits)	20.6%	20.4%	23.9%	25.1%	24.1%	25.0%
Expenses (incl. credits)	21.0%	23.0%	25.6%	25.8%	26.0%	27.0%
Budget Balance	-0.4%	-3.0%	-1.8%	-0.7%	-1.9%	-2.0%
Retail turnover growth (in real terms), %	20.5%	20.0%	23.0%	25.3%	24.0%	23.0%
Total Assets of Banks growth, %	57%	35%	67%	59%	47%	38%

Source: Finance Ministry, State Statistics Committee, NBU, Concorde Capital estimates

HOW COMPETITIVE IS UKRAINE?

Is the economy competitive enough to sustain high GDP and earnings growth, to back further equity appreciation? The answer can be found in the International Institute for Management Development's (IMD) Annual World Competitiveness Report, a well-known and comprehensive study of nations' competitiveness that included Ukraine for the first time this year.

The Switzerland-based IMD World Competitiveness Center was created in 1989 and has been publishing the IMD World Competitiveness Yearbook for 18 years. The results of the study are drawn from an extensive survey of 323 criteria, ranging from gross domestic product growth and exports to computers per capita and high school graduation rates. Two-thirds of the criteria are hard numbers, gathered from sources such as the World Bank, the U.N., and the World Health Organization. The remaining third are qualitative responses to an annual survey conducted by IMD that touches on subjects such as corruption, cultural openness, government efficiency and language skills.

Ukraine ranked 46 out of the 55 most developed nations and outperformed many other EM countries (among them Brazil, Mexico, Turkey and Poland) – not bad for its debut in the study.

Furthermore, we believe Ukraine is positioned to move up a couple notches next year as indicators that influence the survey are improving in 2007: hard numbers reflecting economic performance, deepening telecom penetration etc. and qualitative ones: improvements in the legislative environment for businesses, a simplified visa regime with EU, Euro-2012 preparations, and WTO accession – just to name a few.

2007 World Competitiveness Rankings

rank	country	rank	country	rank	country
1	USA	20	United Kingdom	39	Portugal
2	Singapore	21	Israel	40	Slovenia
3	Hong Kong	22	Estonia	41	Bulgaria
4	Luxembourg	23	Malaysia	42	Italy
5	Denmark	24	Japan	43	Russia
6	Switzerland	25	Belgium	44	Romania
7	Iceland	26	Chile	45	Philippines
8	The Netherlands	27	India	46	Ukraine
9	Sweden	28	France	47	Mexico
10	Canada	29	Korea	48	Turkey
11	Austria	30	Spain	49	Brazil
12	Australia	31	Lithuania	50	South Africa
13	Norway	32	Czech Republic	51	Argentina
14	Ireland	33	Thailand	52	Poland
15	China (Mainland)	34	Slovak Republic	53	Croatia
16	Germany	35	Hungary	54	Indonesia
17	Finland	36	Greece	55	Venezuela
18	Taiwan	37	Jordan		
19	New Zealand	38	Colombia		

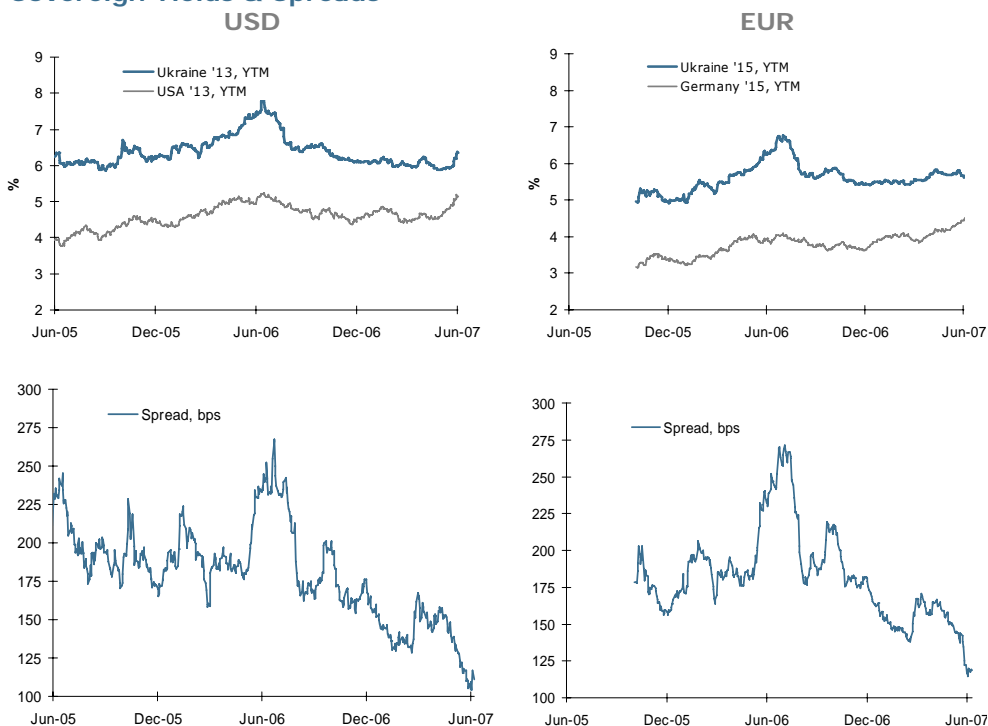
Source: 2007 IMD World Competitiveness Yearbook

COUNTRY RISK REDUCES

Sovereign spreads reach historic tights

In June Ukrainian sovereign spreads narrowed more than those of other EM and reached all-time tights over the benchmarks in both major currencies, USD (104 bps) and EUR (114 bps), indicating a reduction in the country risk premium. Currently the spread of dollar-denominated sovereign securities maturing in 2013 is about 120 bps over treasuries, while Euro-denominated debt maturing in 2015 trades at 117 bps over Bunds of similar maturity.

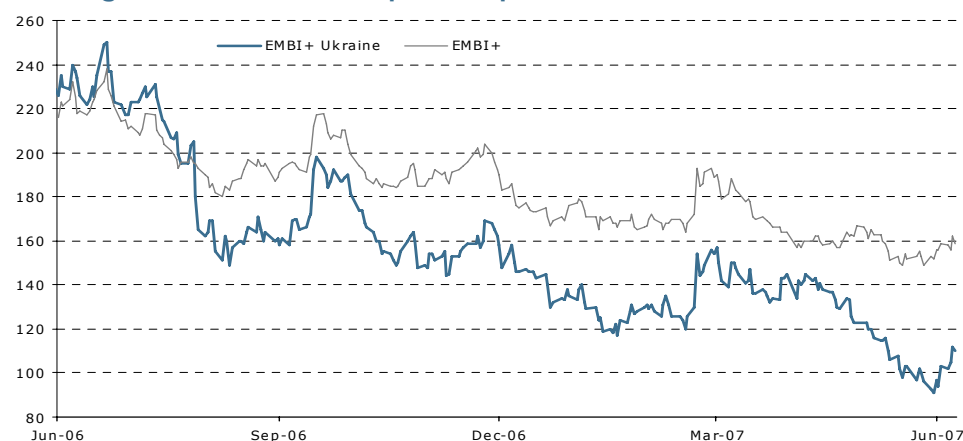
Sovereign Yields & Spreads



Note: Ukraine '15 was issued in October 2005
Source: Bloomberg

The recent narrowing of spreads was a continuation of a long-term trend seen over the last six years since the government successfully changed its economic and borrowing policies. Over that period, Ukrainian spread index has fallen from more than 1800 bps to a recent record low of 91 bps. Despite widening last week, the market continues to evaluate Ukraine's risks to be lower than that of EM debt in general, as indicated by the JP Morgan EMBI+ Index series.

JP Morgan EMBI + Ukraine Spread, bps



Source: Cbonds

BIZ GROUPS AND STOCK MARKET

Watch the corporate strategies of major business groups: System Capital Management (SCM), Interpipe and Finance & Credit (F&C). If they keep up their pace of recent improvements, it will prompt a significant reduction in corporate governance risks for a good third of tradable stocks. In May both Interpipe and F&C announced that IPOs are in the pipeline, while the largest group, SCM, made notable steps toward better corporate governance and investor relations.

Zhevago's Ferrexpo completes Ukraine's largest IPO

USD 401 mln IPO of Ferrexpo on LSE (a metallurgical arm of F&C group the main asset of which is PGOK) is the first in a string of planned IPOs of major Ukrainian business groups.

On June 15, 2007 shares in Ferrexpo were placed from two sources: Ferrexpo PLC placed 12% of its new shares on the LSE, and another 11% was sold by major shareholder, Fevamotnico, which is affiliated with Kostyantyn Zhevago. In total, USD 401 mln (MCap of USD 1671 mln) was raised, close to the upper bound of the USD 1.4-1.8 bln offering range. Since the first day of trading, the price of Ferrexpo (LSE: FXPO) went up 38%.

The success of this IPO reinforces expectations for IPOs of other Zhevago companies: AvtoKrAZ Industries (including KRAZ, SVGZ, Zaliv) and F&C Bank, which were announced for 2007-08.

Pinchuk's Interpipe IPO and/or merger

Ukrainian largest producer of steel pipe and railroad wheels, Interpipe (Nyzhnyodniprovsky Pipe (NITR), Novomoskovsk Pipe (NVTR)), announced it would hold a tender to select an investment and legal advisor for an IPO on the London Stock Exchange by the end of August. No further details are available yet. A successful IPO could strengthen Interpipe's positions in negotiating a merger with Russia's Pipe Metallurgical Company (TMK), one of the world's largest steel pipe manufacturers – a deal that would create the world's biggest pipe producer.

Akhmetov's SCM starts big tapping on capital markets

We expect SCM and its sub-holdings (first of all Metinvest and DTEK) to continue positive news flow in regards to corporate governance as part of the group's preparations to enter international capital markets. Metinvest Holding (incl. Azovstal, Avdiyivka Coke, Enakievo Steel, Khartsyzk Pipe, Pivdenny Iron Ore, Centralny Iron Ore) is preparing to attract a USD 1.5 bln syndicated loan this summer while DTEK (the Donbas Fuel-Energy Company, the largest vertically integrated energy company in Ukraine) plans to place a USD 400 mln Eurobond issue by the end of the year.

Metinvest Holding is the most transparent domestic metallurgy group at present. Apart from its promises and declarations, it is about to take a concrete step toward improving investor relations: Azovstal's AGM on June 23 is to approve a reduction in the dilutive shares issued in a merger with a Trading House Azovstal in 2006.

Beyond these three groups, keep an eye on developments in the **Industrial Union of the Donbas'** merger talks with Gazmetal and look at **Privat**-owned assets in metals&mining (iron ore), where margins jumped sharply in 1Q07.

EQUITY PLACEMENTS MONITOR

Demand for Ukrainian equity is outpacing supply; the mismatch is creating a favorable climate for growing number of local companies to go for equity financing.

Equity Placements in 2007

	Exchange	Share	Volume, USD mln
Completed YTD			
Poltava Overhaul Locom.	Local	11%	n/a
Factorial Bank	Local	10%	5.8
Universalna Insurance	Local	19%	23
Karavan	n/a	10%	55
Vinnifruit	n/a	24%	15
Dakor	Local	20%	21
TMM	Frankfurt	13%	105
Motor Sich	Local	6%	19
DUPD	AIM	n/a	n/a
Ferrexpo	London	23%	401

Expected in 2007

Interpipe	London	10-20%	~300-600
Ukrtelecom	London	38%	1 650
Karavan (2)	n/a	9%	~50
Vinnifruit (2)	n/a	15%	~10
Interbank	n/a	n/a	n/a
UkrRos	Frankfurt	20-25%	~50
Kreativ	London	20%	~24
Milkiland	n/a	n/a	n/a
Rodovid Bank	Local	~20%	~120
UkrAvto	n/a	n/a	~250
Furshet	London	n/a	n/a
Diamant Bank	n/a	10-15%	n/a
Finance & Credit Bank	n/a	n/a	n/a
Image Holding	n/a	n/a	n/a
Soyuz Viktan	n/a	n/a	n/a
Shivdko	n/a	n/a	n/a
Velyka Kyshenya	London	n/a	n/a
KrAZ Industries	n/a	n/a	n/a

Note: Excluding charter fund increases through a sale of new shares to existing shareholders

Source: Concorde Capital

FINANCIAL INFRASTRUCTURE

Stock market transparency improving

More than 800 companies published their 1Q07 financial statements (plus updated information concerning corporate ownership, management and outstanding securities) online at www.stockmarket.gov.ua as part of a pilot project by the State Securities & Exchange Commission (SSEC) to establish transparent, public quarterly reporting. Currently, companies with more than 25% state ownership and all bond issuers are obliged to do so according to an SSEC decree. Sixty-one companies listed on the PFTS have already posted their interim results including: Ukrnafta, Ukrtelecom, Ukrsotsbank, all "blue chip" utilities; our corporate governance survey leader Galnaftogaz.

Draft legislation

- The SSEC is going to introduce regulation restricting market manipulation through a special representative of the Commission on stock exchanges. The representative will watch for participants that inflate trading volumes and distort prices, and will have the authority to impose sanctions and halt distortive trading. We estimate that this mechanism will be implemented by January 2008. In our view, the regulation will increase discipline of the transactions on the PFTS and will have the biggest impact on technical trades on the bond market (see our *Fixed Income Handbook of November 2006* for more).
- The Commission is also going to set a 30% limit on equity shares that a Ukrainian issuer has the right to place on foreign exchanges. If introduced by yearend, the regulation might hurt the interests of the SPF, which has plans to place a 37.86% stake in Ukrtelecom on the LSE this year. Additionally, the SSEC will require companies going abroad to first list locally.

Warsaw Stock Exchange & PFTS to introduce dual listings

In May the Warsaw Stock Exchange and the PFTS signed an agreement establishing legal grounds for long-term cooperation between the two exchanges. The agreement stipulates, among other things, the future implementation of a system for dual listings. Though we don't see any immediate benefits for the Ukrainian stock market, in the mid-term the agreement might improve liquidity, ease the access of Ukrainian companies to capital resources and strengthen the position of the exchanges in a regional competition against OMX and RTS (both have declared plans to enter the Ukrainian market through the acquisition of local exchanges).

TOP PICKS

Stakhaniv Wagon

PFTS	SVGZ	<p>Our target will get an upgrade soon. With booming demand in CIS countries and the implementation of a CapEx program to boost production capacity to 10,000 wagons p.a., the company's impressive 1Q07 results support the management's ambitious plans to increase freight railcar production from 2,186 in 2006 to 6,000-7,000 this year. Another top-line booster in the mid-term: the launch of metal construction products, with expected demand coming from Vorskla Steel (green-field project started by its major shareholder, Finance & Credit). A new appreciation trigger is expected in the IPO of KrAZ Industries, which consists of 12 machine building companies, including Stakhaniv Wagon.</p>
XETRA	n/a	
Industry:	R/way Machinery	
MCap, \$ mln	87.2	
FF, \$ mln	19.4	
12m target, \$:	7.95	
Upside:	15%	

Megabank

PFTS	MEGA	<p>Net income reported in 1Q07 already amounted to half of last year's annual earnings: USD 1.02 mln vs USD 2.23 mln. Due diligence by the IFC is completed – overall, USD 40 mln in financing from the IFC and EBRD is expected mid-year. Strong regional franchise, approaching nation-wide reach. Robust retail arm has developed over the past 15 months: retail loans more than tripled to USD 41.5 mln. Megabank processes 15% of household utility payments in Ukraine, which ensures strong fees & commissions inflow. Attractive acquisition target. Cheap compared to other Ukrainian banks on P/B basis</p>
XETRA	n/a	
Industry	Banking	
MCap, \$ mln	138.6	
FF, \$ mln	27.7	
12m target, \$	1.01	
Upside	46%	

Avdiyivka Coke

PFTS	AVDK	<p>The stock was excessively punished for last year's decline in production, the market only recently began realizing that its business is sustainable at its current size and creates value for shareholders. We expect a strong year. Europe's largest coke producer. Operates the newest coking capacities in Ukraine. Coking coal is sourced primarily from related mines, which ensures stable supplies. Transparency is improving thanks to efforts by its controlling shareholder, SCM. The company is cleaning its books of investments into non-coke businesses.</p>
XETRA	n/a	
Industry	Coke	
MCap, \$ mln	532.9	
FF, \$ mln	17.1	
12m target, \$	5.14	
Upside	87%	

ZaporizhCoke

PFTS	ZACO	<p>Still unjustifiably cheap. Likely take-over target in the mid-term. Strong and steady demand is ensured by its major shareholder, Zaporizhstal. Stability in supplies will improve significantly, as Zaporizhstal announced in late 2006 its plans to develop a coal deposit in Russia starting in 2007 – this will cover 20-25% ZaporizhCoke's coal needs.</p>
XETRA	n/a	
Industry	Coke	
MCap, \$ mln	161.3	
FF, \$ mln	11.6	
12m target, \$	2.53	
Upside	87%	

Ekvin (MKS)

PFTS	KVIN
XETRA	n/a
Industry	Retail
MCap, \$ mln	84.3
FF, \$ mln	16.9
12m target, \$	160.00
Upside	36%

Started implementation of an ambitious expansion program: the USD 14.5 mln raised from its 20% equity stake placement is gearing Ekvin up to transform its 51-outlet retailer, MKS, into a full-fledged nation-wide retail chain. In 2007 the company plans to open 46 new outlets (it has already opened 12 outlets in 2007 and after another 15 currently under construction open MKS will have entered 8 new regions). Over 2007-2009, trading space is planned to grow at more than 50% CAGR.

Dniprometiz

PFTS	DMPO
XETRA	n/a
Industry	Metal Wear
MCap, \$ mln	38.7
FF, \$ mln	2.7
12m target, \$	154.00
Upside	35%

Overlooked by the market. Recently acquired by Severstal-Metiz group, which has brought with it high quality corporate governance standards. The shady schemes of its previous owners have been eliminated - as a result, the company's top line surged 61% yoy in 2006 to USD 68.4 mln and continued to expand in 1Q07 (+57%). The company will be re-equipped and is set to become the group's major supplier to the European market. Revenues are expected to double by 2009.

Dakor

PFTS	DAKOR
XETRA	n/a
Industry	Food&Beverages
MCap, \$ mln	105.0
FF, \$ mln	21.0
12m target, \$	169.40
Upside	38

In a solid position to expand its share of the market in the midst of industry consolidation. Posted 78% organic top line growth in 2006, and expected to grow at 8% in 2006-16. Dakor is planning to increase its sugar production capacities by 14% to 16 ths mt of beets processing per day in 2007/08 season. The company operates 78 ths ha of land under lease to be increased to 100 ths ha next year. In April 2007, the company first tapped the equity market, floating 20% of its shares.

Motor Sich

PFTS	MSICH
XETRA	M7H
Industry	Aerospace
MCap, \$ mln	358.8
FF, \$ mln	21.5
12m target, \$	200.00
Upside	16%

Exclusive producer of engines for Russian helicopters and Ukrainian airplanes. Valuable acquisition target for the Russian state aviation holding. Realization of ambitious Russian plans to expand its presence on the aviation market, together with Ukrainian and Chinese orders will double the company's output by 2012. Recent placement of 6% of stake and the possible placement of another 10% are boosters for the stock's liquidity. In 1Q07 the company experienced its best quarter since at least 2002: net revenue increased to USD 57.8 mln (+52.5% yoy) net income went up to USD 8.9 mln (from USD 0.1 mln in 1Q06).

LATEST REPORTS

The following summaries are from Concorde's recent publications that we think you won't want to miss. Full reports are available online (www.concorde.com.ua), or through Concorde Capital's sales desk.

Full list of reports since May 15

Dniproenergo Upgrade Note	20-June-07	A.Paraschiy
Poltava Iron Ore Note	19-June-07	E.Cherviachenko
Azovstal Update Note	04-June-07	E.Cherviachenko
Ukrsotsbank Share Issue Alert	01-June-07	A.Viktorov
Pivdenny Iron Ore Alert	30-May-07	E.Cherviachenko
Dakor Initiating	30-May-07	O.Pankiv A.Dudchenko
Ukrnafta Note	30-May-07	V.Nesterenko
Electricity Privatization Plans Note	29-May-07	A.Paraschiy
New Elections Note	29-May-07	N.Piazza
Rodovid Bank Share Issue Alert	28-May-07	A.Viktorov
Megabank Share Issue Alert	28-May-07	A.Viktorov
Luhanskteplovoz Upgrade Note	25-May-07	I.Perepelytsya
Poltava Iron Ore Under Review Note	22-May-07	E.Cherviachenko
Galnaftogaz Under Review Note	21-May-07	V.Nesterenko
Ukrtelecom 1% Privatization Note	21-May-07	A.Paraschiy
Motor Sich Upgrade	16-May-07	I.Perepelytsya A.Paraschiy



CONCORDE CAPITAL

Ukraine / Electricity

Dniproenergo

Hang On, It Gets Better

June 20, 2007

12M Target: USD 420

BUY

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Market information

Bloomberg	DNEN UZ
No of Shares, mln	3.924
New shares to be issued, mln	2.043
MCap, USD mln	1,428
Free float	15%
FF MCap, USD mln	215

Stock ownership, current

NC ECU	76.0%
DTEK	8.7%
Other	15.3%

Ownership after restructuring, est

NC ECU	50.0%
DTEK	40.0%
Other	10.0%

Ratios, 2007E

EBITDA Margin	11.0%
Net Margin	2.8%
Net Debt/ Equity	0.34

The new plan to restructure Dniproenergo provides for increasing the company's share capital to the benefit of DTEK. We believe any short-term dilutive effect on the market price will be offset by the market's willingness to pay a premium for the arrival of a powerful strategic investor. The restructuring improves Dniproenergo's prospects to generate value for shareholders in the mid-term. We upgrade our target price to USD 420 per share and our recommendation to BUY.

We see the deal playing out like this: The Donbas Fuel and Energy Company (DTEK) will invest a total of about USD 408 mln to obtain the right to subscribe to 100% of the new shares by canceling Dniproenergo's debt to its affiliates (about USD 208 mln) and spending an additional USD 200 mln in CapEx on Dniproenergo.

Dniproenergo benefits because:

- its debt problem will be solved,
- its financial recovery process will be completed,
- it will be able to obtain USD 200 mln for investments
- its book value will increase by about USD 400 mln, which will allow the company to attract debt for further CapEx financing
- it will obtain a powerful strategic investor

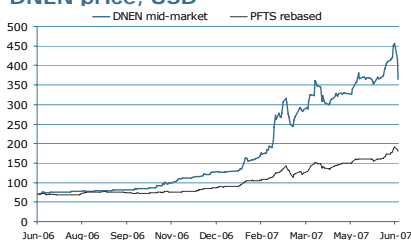
DTEK benefits because:

- it will solve its problem of bad receivables from Dniproenergo
- it will increase its presence in Dniproenergo by 31.3% for USD 408 mln, which is a 20% discount to the current market price

The effect for minority shareholders is:

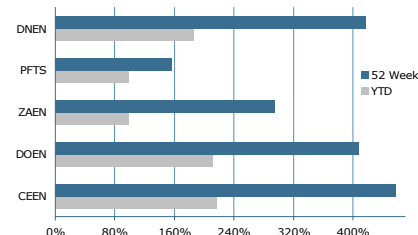
- The risk of dilution in the short-term (maximum dilution effect is - 15%) should be offset in the short-term by the market, which might be ready to pay a premium if a strategic investor is behind the company
- In the mid-term, Dniproenergo will create value for shareholders that will offset any short-term dilutive effect

DNEN price, USD

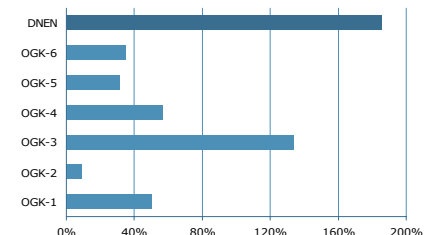


Source: PFTS, RTS, Concorde Capital calculations

Performance vs GenCos & PFTS



YTD Performance vs Russian OGKs



Key Financials & Ratios

(in USD mln)	Sales	EBITDA	Net Income	EV/S	EV/EBITDA	P/E
2006	551.2	56.6	2.5	2.7	26.6	570
2007E	684.6	75.3	19.3	2.2	20.2	74
2008E	757.2	90.8	31.2	2.1	17.3	46

Spot exchange rate is 5.05



CONCORDE CAPITAL

Ukraine / Food

Dakor

Sweet Opportunity

BUY

May 30, 2007

12M Target: USD 26.6

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Market information

Bloomberg	DAKOR UZ
Xetra	WI81
Market price, USD	19.02
Shares, mln	5.7
MCap, USD mln	109.0
Free float	20.0%
FF MCap, USD mln	21.8

12M target

Price, USD	26.6
Upside	40%

Ownership

Management	80%
Institutional investors	20%

Ratios 2006

EBITDA margin	25.5%
Net margin	13.2%
Net debt to equity	1.0

Major Ukrainian sugar producer Dakor is in a solid position to expand its share of the market in the midst of industry consolidation, which will be the name of the game for the next few years. In April 2007 the company first tapped the equity market, floating 20% of its shares. This year, Dakor is planning to invest net proceeds of USD 17.5 mln into modernization of its production facilities and increase daily capacities 14%. We estimate Dakor's 12M target price at USD 26.6 per share, a 40% upside to the current market price. BUY.

Poised to benefit from industry consolidation. Dakor is a top five Ukrainian sugar producer and accounted for 4.2% of total sugar production last year. Large players, such as Dakor, have advantageous positions in terms of better access to financing, more efficient production and stronger lobbying power in the distribution of sugar production quotas. We project the company's market share to double by 2010 as small sugar makers continue to be pushed out of business. Daily sugar processing capacities in the country have already decreased 35% in the last ten years.

On-going vertical integration to reduce production costs. Dakor is expanding its production chain into the cultivation of in-house sugar beets, with the goal of practically eliminating dependency on more expensive third-party beets by 2010. This target will be reached through a 28% increase in land under lease by 2009 to 100 ths ha. The company has a preemptive right to purchase the land it leases, and it plans to exercise the option after the moratorium on the sale of agricultural land is terminated, which we expect in 2009.

Investing in production efficiency. Dakor's concentration on efficiency improvement will be the major driver of further growth in the company's profitability. We expect an increase in beet yields from this year's 31 mt per ha to 45, and sugar extraction growth from 11.8% to 13.5% in the mid-term. The company's CapEx plan for 2007-2008 provides for the modernization of equipment at its sugar production mills, and the purchase of machinery for beet collection and transportation.

Ready for raw cane sugar imports. During entry negotiations for WTO membership, Ukraine arranged for an import quota for raw cane sugar of 260 ths mt per year, almost twice smaller than Australia initially required. We believe these amounts will be absorbed by the market, allowing sugar producers to cover their own deficit of sugar beet inputs with less expensive raw cane sugar. Dakor has capacities for processing raw cane sugar at two of its mills.

IPO plans. Dakor is targeting an IPO in 2009 to raise additional capital for further development. As a preparatory step, the company's management intends to have Dakor's 2007 financials audited by a major international audit company.

Financial Summary*

Key financials, USD mln

	Net Revenues	EBITDA	Net Income	EV/Sales	EV/EBITDA	P/E
2006	63.0	16.1	8.3	2.4	9.5	13.1
2007E	74.3	18.5	9.3	1.8	7.2	11.7
2008E	94.3	24.8	16.3	1.4	5.4	6.7
2009E	104.7	27.4	18.6	1.3	5.1	5.9

*Financial statements for 2005-2006 are consolidated based on UAS accounts for separate companies and data on intra-group transactions obtained from management.



CONCORDE CAPITAL

SELL

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Market information

Bloomberg	UNAF UZ
Frankfurt/Xetra	UKAA GR
No of Shares, mln	54.2
Reg S GDR to Ord.	1:6
Market price, USD	83.1
52Wk H/L, USD	85.2/58.1
MCap, USD mln	4506.4
Free float	8%
FF MCap, USD mln	360.6

Mo avg tr volume*, USD mln 8.6
Note: 6M trailing, PFTS & Frankfurt

Stock ownership

State	50%+1
Privat Group	42%
Other	8%

Ratios, 2006

EBITDA Margin	45.1%
Net Margin	28.8%
Net Debt/Equity	0.08

Yesterday's Ukrnafta AGM only widened the discord between the stock's price upsurge and a consistent flow of negative news. We were neither impressed by 2006 results nor by 2007 expectations, and feel Ukrnafta does not deserve a 29% premium to its peers. With our target implying a 33% downside, we maintain our SELL recommendation.

The main messages from the AGM:

Negative:

- A decision on dividends was postponed until the next meeting, possibly signaling a higher payout than the expected 60%, which would put company growth at risk
- Management is projecting a 4x yoy earnings drop in 2007. We doubt it will be down that much, but this estimate puts our 2007 net income forecast at risk
- Ukrnafta's 2007 CapEx plan assumes only USD 24.7 mln in investments for its fuel station network. This means no more than 30 new outlets in 2007, a far cry from our forecast and the management's earlier plan of 160
- 2006 operating results mostly lagged behind our forecasts, specifically in terms of drilling, extraction volumes and price realizations

Positive:

- A possibly higher than expected dividend payout might trigger speculative demand and higher volatility for the stock in the near term

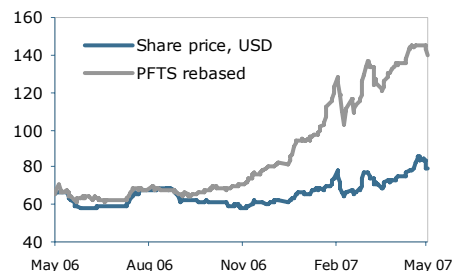
Neutral:

- The company continues to develop its gas processing wing to capture favorable trends on the local market. This is rated neutral because gas products account for less than 10% of Ukrnafta's gross revenue

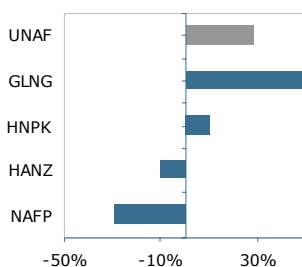
Even optimistic forecasts imply a downside

Compared to the management's estimates, our forecasts look very optimistic but still do not justify the premium the stock is currently trading at. On P/E '07, Ukrnafta is trading at a 64% premium to its closest peer, Tatneft, and at a 28% premium to its peer group's average of 10.2. Our DCF-based target implies a 33% downside. We maintain our SELL recommendation.

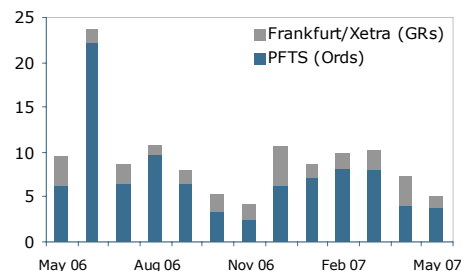
Stock performance



Sector performance, YTD



Trading volume, USD mln





CONCORDE CAPITAL

Ukraine / Electricity Electricity Sector

Privatization Plans Look Promising

May 29, 2007

Analyst Notebook

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Privatization procedure by draft

	State ownership	Most likely procedure
DOEN	85.77%	
CEEN	78.29%	Additional share issues, with selected subscriber for state's shares
DNEN	76.04%	
ZOEN	75.00%	
DNON	75.00%	
VIEN	75.00%	
VOEN	75.00%	
ZAEN	70.11%	Tender with investment obligations; full stake for sale
HMON	70.01%	
KREN	70.00%	
MYON	70.00%	
CHEN	70.00%	
DOON	65.06%	
HAON	65.00%	
ZAON	60.25%	
TOEN	50.00%	
CHON	46.00%	
LVON	26.98%	Share placement on stock exchanges; full stake for sale
PREN	25.02%	
ODEN	25.01%	
SOEN	25% + 1	
CHEON	25% + 1	
POON	25% + 1	

Note: Bold fonts represent power generation companies; Others are power distribution companies

A new draft decree has been sent the Cabinet of Ministers that, if passed, would put electricity companies back on the privatization block and attract much-needed private capital to rejuvenate their assets. The government's expected approval will finally set out a clear strategy for privatizations and, in our opinion, increase market valuations.

Key items of the current draft of the "Conception on Decreasing the State's Presence in the Energy Sector":

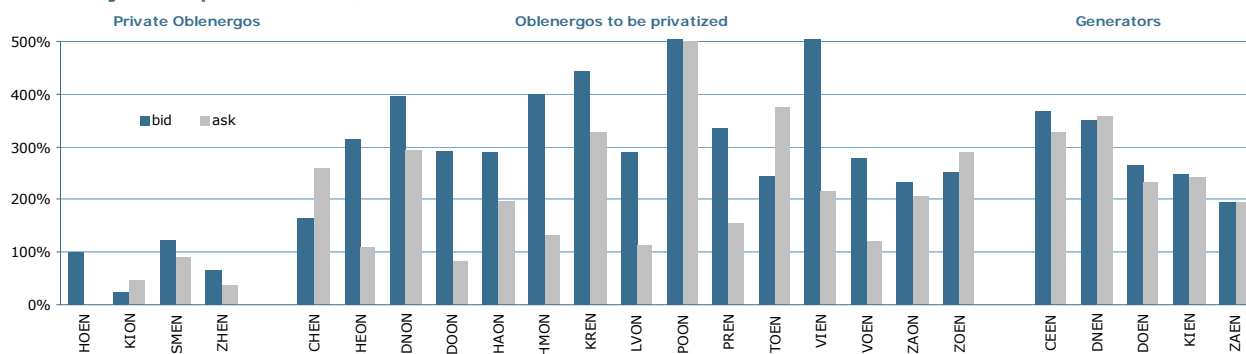
- full privatization of those companies where the state has a stake below 75%, with 50% of money raised from privatization directed to a special fund for upgrading energy assets
- privatization via additional share issues for those companies where the state has more than 75% will allow privatized companies to directly use proceeds from their privatization
- alternative ways to decrease the state's presence, joint ventures, asset leasing and concessions, are most likely to be practical for those companies whose privatization is prohibited (mainly CHPPs)

High probability of approval by the Cabinet. Taking into account the energy sector's urgent needs for additional capital and that the conditions listed in the draft look attractive for potential investors, the individual companies and to the state, we believe the Conception will be approved. The State Property Fund (SPF), which does not support the idea of decreasing state control in the energy sector, is very likely not to oppose the bill, because its passage would mean the SPF could sell 25%-27% of six Oblenergos in 2007 as it planned.

The primary beneficiaries will be those companies where the state has >75% ownership, as the proceeds from their privatization will go directly into the companies. The other companies can only dream of a share of the income from their privatization, if they prove their needs. In this respect, Zakhidenergo, where the state owns 70%, looks like it is in the least beneficial position compared to other thermal power generators.

Clear plans - A market booster. The absence of a clear strategy on further energy privatizations has been one of the reasons for discounted valuations compared to Russian peers. We believe a clarified privatization plan will lead to a decrease in the discount of Ukrainian GenCos and Oblenergos to Russian companies by EV/Capacity and EV/Electricity multiples.

Electricity stock performance, 52 weeks



Source: PFTS

Note: Data range is truncated at 0% and 500%



CONCORDE CAPITAL

Ukraine / Railway Machinery

Luhanskteplovoy

Hitching Up to Russia

BUY

May 25, 2007

Market price: USD 0.59

12M Target: USD 0.72

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Market information

Bloomberg	LTPL UZ
No of Shares, mln	219.2
Market price, USD	0.59
52Wk H/L, USD	0.60/0.37
MCap, USD mln	128.3
Free float	15.0%
FF MCap, USD mln	19.2

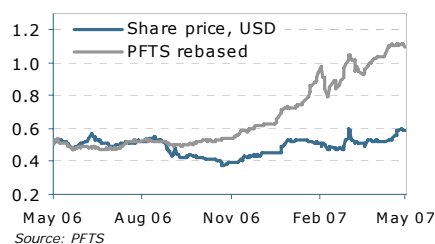
Stock ownership

Bryansk Heavy Machinery	76%
Individuals	8%
Other	16%

Ratios, 2006

EBITDA Margin	6.5%
Net Margin	-3.6%
Net Debt/Equity	0.6

LTPL stock performance



Fresh positive signals have caught the market's attention, strengthening arguments that the controversial privatization of Luhanskteplovoy will be upheld. Closer integration with Russian Railways (through their acquisition of Transmashholding) will secure increased locomotive orders, leading us to revise the company's sales forecasts upward. We upgrade our investment recommendation to BUY, with the new target implying a 22% upside.

Russian Railways effectively buys Luhanskteplovoy's owner

- Yesterday Russian Railways (RZD), the state-owned railway operator, announced the acquisition of a blocking stake of Transmashholding (TMH), whose subsidiary, Bryansk Heavy Machinery, bought 76% of Luhanskteplovoy on March 23.
- Indirect ownership of Luhanskteplovoy by RZD strengthens TMH's position against attempts to revise the results of the Luhanskteplovoy privatization tender. TMH has already spent about USD 10 mln to clear wage arrears, payables and increase working capital, which we interpret as a sign that they do not consider re-privatization a material threat.
- Russian Railways' USD 4 bln program for purchase of rolling stock by 2010 provides a stable source to fill Luhanskteplovoy's order book. According to Luhanskteplovoy's management, RZD is ready to buy as many locomotives as the company can produce.
- RZD orders will help to diversify sales away from about 80% domestic orders in 2006.

Estimated order book for 2007

- Orders from Ukrzaliznytsya: est. at between USD 110-130 mln (as expected by management and recently approved as part of Ukrzaliznytsya's 2007 financial plan).
- Orders from RZD: est. USD 35 mln (signed contract for 20 diesel locomotives), plus USD 20 mln (part of a two-year USD 40 mln contract being negotiated).
- We consider the management's projection for +34% yoy sales growth in 2007 that they announced at their AGM three weeks ago to be overly cautious. Our expectation for top line growth in 2007 is 88%.

Key financials & ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006	87.6	6.5%	-3.6%	1.7	26.3	neg
2007E	164.7	9.5%	5.0%	0.9	9.5	15.7
2008E	222.3	10.0%	5.5%	0.7	6.7	10.6

Spot exchange rate: 5.05



CONCORDE CAPITAL

Ukraine / Iron Ore

Poltava Iron Ore

Ferrexpo Announces Ukraine's Largest Ever IPO

U/R

May 22, 2007
12M Target: U/R

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Market information

Bloomberg	PGOK UZ
Frankfurt/Xetra	UVT GR
No of Shares, mln	115.4
Reg S GDR to Ord.	1:1
Market price, USD	11.0
52Wk H/L, USD	12.3/8.5
MCap, USD mln	1272.8
Free float	4%
FF MCap, USD mln	50.9

Mo avg tr volume*, USD mln	0.75
MCap turnover*	1.5%

* 6M trailing, PFTS & Frankfurt

Stock ownership

Ferrexpo AG	85.8%
Other	14.2%

Ratios, 2005

EBITDA Margin	24%
Net Margin	13%
Net Debt/Equity	0.7

Today Ferrexpo, the holding company for Poltava Iron Ore (PGOK), announced its intention to proceed with a listing and IPO on the LSE. We expect the placement to trigger greater transparency for the group, thus justifying larger weight to the "transparency" scenario in our PGOK valuation. We place our target and recommendation under review.

The company says it hopes to raise about USD 500 mln, twice the total amount raised by all five Ukrainian IPOs over 2002-2006.

Company	Ticker	Period	Amount raised USD mln	MCap at placement USD mln	P/E at placement
Regal Petroleum	RPT	Sep.02	15.6	54.6	neg
Ukrproduct Group	UKR	Feb.05	11.5	78.7	15.8
Cardinal Resources	CDL	Apr.05	20.2	52.0	n/a
XXI Century Inv.	XXIC	Dec.05	138.7	239.7	3.8
Astarta Holding	AST	Aug.06	30.6	158.2	13.3
Ferrexpo	TBD	TBD	*500.0	*2,000.0	n/a

* Expected

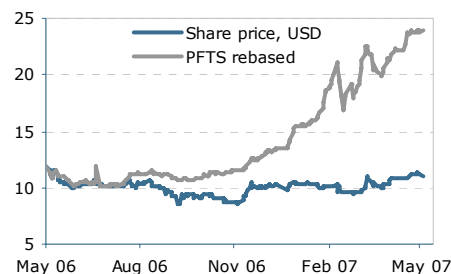
Source: The PBN Company, company data, Concorde Capital estimates

According to the announcement, proceeds from the placement will be used to fund iron ore projects, pay off existing debt and prospective acquisitions. The company plans to continue exploration of the Yeristovskoye iron ore deposit, adding 632 mln mt to the company's current reserves of 491 mln mt, and to double pellet production by 2014 to 16 mln mt.

We were advised by Ferrexpo corporate communication representative that the holding does not intend to issue additional shares of Poltava Iron Ore, so the placement will not going to be dilutive for minority shareholders.

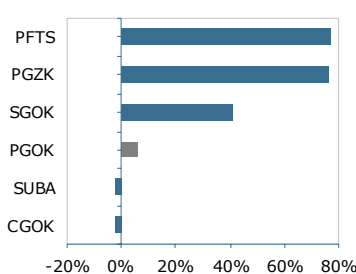
The company intends to sell new and existing shares. We were informed that Konstantin Zhevago, majority owner of Ferrexpo, intends to retain a 75% stake. This means that the remaining 25% stake is valued at around USD 500 mln, or USD 2 bln total capitalization. According to the release, there will be also a 15% over-allotment option. The prospectus will be available by the end of June.

Stock performance vs. PFTS

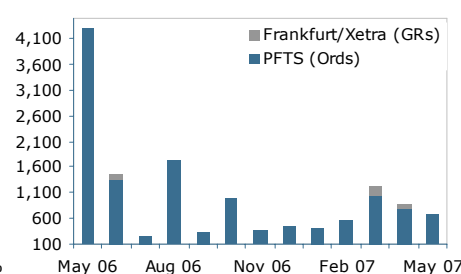


Source: PFTS, Bloomberg

Sector performance, YTD



Trading volume, USD thousand



Key financials & ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2006E	451.7	21.7%	7.4%	3.3	15.3	37.9
2007E	564.8	23.7%	9.3%	2.8	11.7	24.3
2008E	663.3	27.1%	11.9%	2.4	8.7	16.1

Spot exchange rate: 5.05



CONCORDE CAPITAL

U/R

Ukraine / Oil & Gas Galnaftogaz

Boiling Up
May 21, 2007
12M Target: U/R

Vladimir Nesterenko
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Market information

Bloomberg	GLNG UZ
Frankfurt/Xetra	C9Z GR
No of Shares, mln	16,000.0
Reg S GDR to Ord.	1:500
Market price, USD	0.015
52Wk H/L, USD	0.016/0.008
MCap, USD mln	240.0
Free float	20%
FF MCap, USD mln	48.0

Mo avg tr volume*, USD mln	0.019
MCap turnover*	0.04%

* 6M trailing, PFTS & Frankfurt

Stock ownership

F.I.E.H. and related	80%
Other	20%

Ratios, 2005 IFRS

EBITDA Margin	4.2%
EBIT Margin	3.2%
Net Margin	1.9%
Net Debt/Equity	0.63

Galnaftogaz has gained 39% YTD and is currently trading 36% above our target. The arguments that justify and challenge the market price appear to balance out. We expect 2006 IFRS accounts in a week or two; in the meantime, we put our target and recommendation under review.

Is the market correct? Pros/Cons

- + Corporate governance premium could have been priced in, it also could justify putting more weight on an asset-based valuation
- + The market could have assessed the company's perpetuity growth rate to be higher than we did
- + Alternative stocks in Ukrainian retail are scarce
- No positive surprises so far, 2006 results generally lagged behind our forecasts
- Expensive compared to peers

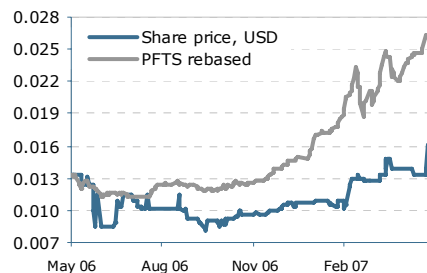
The management comments on 2006 results

In expectation of 2006 IFRS accounts, we discussed last year's performance and market developments with management:

- Top line as expected; average sales per station and contribution of convenience goods increased in line with forecasts.
- EBITDA margin improved in 2006, but lagged behind both our and the management's forecasts. Based on preliminary data, net margin dropped in 2006 from 2.0% to 1.6%. The management says 2007 markups will be more secure due to cost-plus pricing for wholesale purchases. However the state is still attempting to limit retailers' prices through capping margins in absolute terms.
- Number of stations at the end of 2006 was 200, 12 stations below our forecast. In 2007 the company plans to launch 87 stations net, 63 stations more than in 2006.
- According to company data, its market share increased from 5.2% to 7.1% in 2006 (0.2 p.p. above our forecast), making it the third largest fuel retailer in Ukraine.
- Galnaftogaz increased its share of imports in its fuel basket to reduce dependency on local refineries. In general, retailers are gaining more power over refineries.
- The management confirmed Galnaftogaz's IPO plans, saying that the placement will probably happen at the end of 2008.

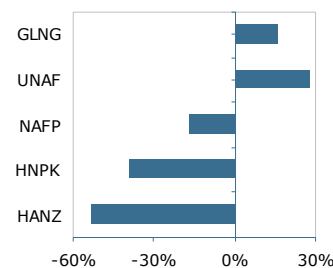
Once we see 2006 IFRS financials, we will carefully review our model and valuations.

Stock performance vs. PFTS

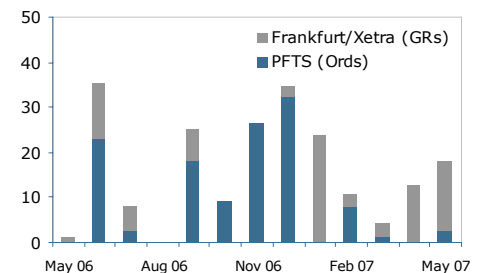


Source: PFTS, Bloomberg

Sector performance, YTD



Trading volume, USD thousand



Key financials & ratios

(in USD mln)	Sales	EBITDA Margin	Net Margin	EV/S	EV/EBITDA	P/E
2005	379.5	4.2%	1.9%	0.73	17.46	33.41
2006E	507.0	5.4%	2.0%	0.64	11.84	24.14
2007E	645.4	6.1%	2.0%	0.58	9.46	18.33

Spot exchange rate: 5.05



CONCORDE CAPITAL

Ukraine / Aerospace

Motor Sich

The Missing Piece to Russia's Aviation Puzzle

BUY

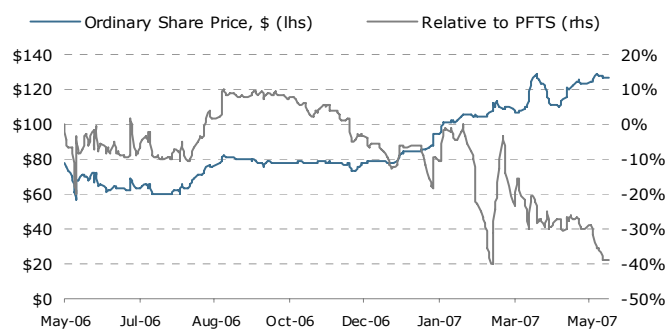
May 16, 2007
12M Target: USD 200.0

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INVESTMENT CASE

- Take-over target: Oboronprom, Russia's helicopter production holding has been in talks with the company's owners since last year. We estimate the deal might be closed within a twelve-month period at 70%+ premium to the current market
- Russian aviation producers have no other choice than to bid for Motor Sich: it would take roughly USD 0.5 bln and 6-10 years to replicate Motor Sich's mass production of its brand new helicopter engine alone. Russia has no alternative supplier of engines, components and spare parts
- Motor Sich offers a new generation of jet and helicopter engines that fit Russian state sponsored programs:
 - Replacement of outdated passenger aircraft,
 - Reclaiming lost share of the global helicopter market (from 6% currently to 15% by 2015)
- Three of four new Russian/Ukrainian regional passenger jets require Motor Sich engines: An-140 (in production), An-148 (certified in February 2007), Tu-334 (certified in 2004)
- As part of diversification strategy, Motor Sich signed two contracts with China last year to deliver engines for their training jets, which will generate USD 190 mln in revenues over the next three years. Contracts with India are being negotiated
- High operating leverage will boost ROIC as order book increases, while high entry barriers will protect abnormal returns over long periods

SHARE PRICE PERFORMANCE



BUSINESS PROFILE

One of the CIS largest producers of aircraft and helicopter engines, monopoly in helicopter segment. Target niche: jet and propeller engines for cargo aircraft, small and mid-sized regional passenger planes, civil and military helicopters. Product mix consists of up to 50 different types of aircraft engines, including engines for the world's largest cargo jets, Mriya and Ruslan. On-the-ground products include gas turbines, gas pumping equipment, motor cultivators, separators and board engines. Motor Sich exports more than 80% of its total output, most of which goes to Russia, China and Iran.

*"Price Impact" is the opinion of Concorde's trading desk on stocks to help investors estimate the reliability of quoted prices:
1: Market price reaction remains within 10% in execution of a market order of about USD 10 mln in size
2: Market price reaction remains within 10% in execution of a market order of about USD 1 mln in size
3: All other stocks (quoted price is less reliable and should be considered indicative)

MARKET INFORMATION

Market price, USD (PFTS)	128.8
Price impact*	2
52 Wk H/L, USD	129 / 56
Chg 3m/6m/52w	23% / 65% / 61%
Chg vs PFTS 3m/6m/52w	-6% / -43% / -38%
Chg YTD	53%
Avg Mo Tr Vol 6M, USDmln	1.63
MCap, USD mln	267.7
Free float, %	6.0%
FF MCap, USD mln	16.1
No of shares, mln	2.08
Par Value, UAH	135.0
XETRA	M7H GR
DR Ratio	5:1
Avg Mo Tr Vol 6M, USD ths	0.0

STOCK OWNERSHIP

Garant Invest	46.2%
Treasury Stock	15.7%
V. Boguslayev	15.0%
Other	23.1%

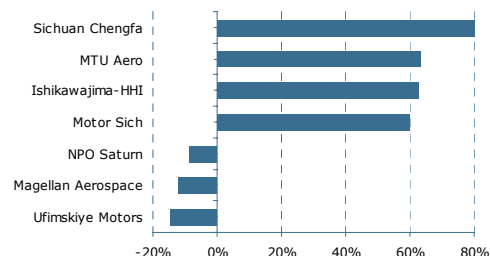
MARKET MULTIPLES

	2007E	2008E
EV/Sales	1.1	1.0
EV/EBITDA	5.8	5.0
P/E	15.0	10.7
P/B	0.9	0.9
P/CF	7.5	6.3

KEY FINANCIALS, USD mln

	2006	2007E	2008E
Revenues	245.1	283.5	323.4
EBITDA	39.8	54.5	63.4
Net income	7.5	17.6	24.7
Net Debt/Equity	0.19	0.18	0.16

Sector stock performance YTD



Source: Bloomberg

APPENDIX

Watch list

21.06.2007	Yanukovich Visit to Russia
21.06.2007	Sumyoblenergo AGM
21.06.2007	Ukrsibbank 2011 Eurobonds Coupon Payment
21.06.2007	EBRD Delegation Visit to Ukraine
21.06.2007	ZAZ 2009 Eurobonds Coupon Payment
21.06.2007	Yushchenko Visit to Brussels
22.06.2007	Alfa Bank Ukr 2009 Eurobond Coup Payment
22.06.2007	Yanukovich Visit to Russia
22.06.2007	EBRD Delegation Visit to Ukraine
23.06.2007	Azovstal AGM
25.06.2007	Kreditprombank Local Coupon Payment
25.06.2007	Rodovid Bank EGM
26.06.2007	Alfa Bank Ukr Local Coupon Payment
26.06.2007	Rodovid Bank Local Coupon Payment
26.06.2007	Factorial Bank AGM
26.06.2007	Dniprometiz AGM
27.06.2007	Ukraine Local Bond Redemption
27.06.2007	Ukraine Local Coupon Payments
28.06.2007	Kharkiv City Local Coupon Payment
29.06.2007	Slavuta Malt House AGM
29.06.2007	Galnaftogaz Local Coupon Payment
29.06.2007	State Mortgage Institution Local Coup Payment
29.06.2007	Cherkasy Local Coupon Payment
30.06.2007	Odesa Local Coupon Payment
30.06.2007	Galnaftogaz Local Bond Offer
30.06.2007	Azovzahalmash AGM
01.07.2007	Slavutych Local Coupon Payment
02.07.2007	MKS Local Coupon Payment
03.07.2007	Soyuz-Viktan Local Bond Offer
03.07.2007	Mariupol Heavy Machinery AGM
03.07.2007	Megabank AGM
04.07.2007	Kominmet AGM
04.07.2007	Ukrsotsbank AGM
06.07.2007	OdesaGaz AGM
12.07.2007	Ekvin AGM
12.07.2007	Ukrgazbank AGM
19.07.2007	PoltavaGaz AGM
20.07.2007	Kherson Refinery EGM
26.07.2007	Dniprometiz AGM
26.07.2007	Inguletsky Iron Ore AGM
27.07.2007	Yasynivsky Coke AGM
28.07.2007	ZhytomyrGaz
31.07.2007	Azot Cherkasy AGM
31.07.2007	Nyzhnyodniprovsky Pipe AGM

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